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Page: A11

Communities seek taxes to replace aid cut in budget

A Senate panel quickly approves a package that would allow cities and towns to impose taxes and fees on cable TV customers, boost their share of revenue from real estate sales and profit from their water systems.

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It was a rally of a different kind in the State House rotunda yesterday.

There were no signs. No angry chants. No cheering.

Instead, 11 solemn mayors and town managers stood shoulder to shoulder on the marble stairs under the great dome, united in their quest for more state aid. The night before, the Senate had passed the House version of the fiscal 2008 state budget that stripped \$19 million of education

assistance the governor's budget had proposed.

"We need help from the General Assembly," said Pawtucket Mayor James E. Doyle. "The communities throughout the state cannot afford to take the financial hit dealt to us in the state's budget."

Municipal leaders had scrambled to organize a plan after Tues-

SEE **TAXES, A11**

Taxes

Continued from Page A1

day's Senate vote, desperately searching for a way to generate more money before the General Assembly adjourns for the year, a move that could come as soon as tomorrow.

The local leaders yesterday unveiled a package of bills, backed by Assembly leaders, that would allow them to impose a series of taxes and fees in their communities in order to recoup some of the lost state aid. The package includes a tax for cable and satellite television customers, a tax on water rates, and a tax increase on real estate sales.

Four hours after Doyle's plea for help, the Senate Finance Committee approved the package. The House Finance Committee is expected to do the same today. And the legislation, which faces opposition from the business community and the governor's office, could reach the House and Senate floor as soon as this afternoon.

"We have to move fast," said Providence Mayor David N. Cicilline, who was optimistic that the provisions would at least get floor votes. "I was a member of this body for eight years, so I know how much work gets done in the final days."

Senate Finance Committee Chairman Steven D. Alves, D-West Warwick, said his committee was largely forced to approve the proposals. "I think in a better time, there's not a single person...who wants to do these kinds of measures," Alves said. "We have cities and towns in desperate situations right now."

Supporters noted that the legislation does not require cities or towns to implement the new taxes. But nor does it require municipalities to spend the new revenue in any particular area.

"It doesn't guarantee property tax relief," said Gary Sasse, who heads the business-backed Rhode Island Public Expenditure Council. "And this doesn't guarantee a penny will go to schools."

Warwick Mayor Scott Ave-desian said that communities would use the money to rescue services now on the chopping block. "Unless we want to say, 'OK, there will be no more recreation department, or we're going to close our pools, or we're not going to have ice rinks, you get to that point where something has to give.'"

The governor's office is among the opponents.

"There are many ways that municipalities can balance their budget, such as controlling spending and attracting businesses into their community. However, plugging budget holes by using the General Assembly for special bills that increase taxes is not the way to solve the problems," Governor Carcieri's deputy chief of staff, John R. Pagliarini, wrote in a letter to Alves yesterday.

Meanwhile, the governor's office acknowledged discussions had taken place in recent weeks about allowing the state's gambling facilities, Twin River and Newport Grand, to stay open 24 hours. Legislators briefed on the proposal said the move could generate between \$25 million and \$30 million in new state revenue.

But the governor's spokesman said there had been no movement on the proposal and there would not be without a specific request from local officials in Lincoln and Newport.

The legal counsel for the state Lottery, Robert Silva, acknowledged yesterday that state law allows his division to change gambling facilities' hours of operation without a public hearing process, but that no proposal is before the Lottery. He said his agency would prefer such a decision come from the General Assembly.

No such bill has been drafted this session. But bills have been drafted for the revenue proposals passed by the Senate Finance Committee yesterday.

Video service tax: This proposal would apply a 3.5-percent tax on all charges for cable and satellite subscribers. At least 48 other states already have such a tax, according to Dan Beardsley, executive director of the Rhode Island League of Cities and Towns.

The tax would amount to an additional \$1.75 for a customer with a \$50 monthly cable bill. And it would provide hundreds of thousands of dollars to municipalities each quarter after being distributed based on population proportion.

Providence, for example, would get the largest cut: an estimated \$1.68 million. Smaller communities, such as Cumberland and Bristol, would receive an estimated \$336,000 and \$241,500 respectively.

Kevin Horan, of the New England Cable Telecommunication Association, told the Senate Finance Committee that his group opposed taxes on cable services. However, given the state's fiscal situation, his group worked with Assembly leaders to craft the bill modeled after Connecticut's law.

"If there has to be a tax imposed," Horan said, "we do agree with this language."

Real estate conveyance tax: This proposal would raise the tax paid by homebuyers.

Currently, they pay \$2 per \$500 of the sale price of the home. The amendment would boost that rate to \$3.

The buyer of a \$250,000 home, for example, would pay \$1,500 instead of \$1,000. Cities and town would retain the vast majority of the tax (\$2.10 of every \$3), while the state's cut would not be changed.

Providence would again be the largest beneficiary of the tax, generating an additional \$2.71 million based on 2006 numbers provided by the League of Cities and Towns. But eight other communities would receive revenues in excess of \$500,000, including Cranston, Cumberland, East Providence, Newport, Pawtucket, South Kingstown, Warwick and Westerly.

The Rhode Island Builders Association was among at least three groups that opposed the proposal.

"While we recognize the fiscal problems facing the state, we ask that you recognize that in today's slow economy, we should be doing everything we can to encourage home sales and the economic stimulus they provide," said the association's executive director, Roger Warren, in prepared remarks to the committee.

Water rates: Two municipal water-related bills could raise water rates for some

150,000 customers in the state.

One allows the five municipal water systems regulated by the Public Utilities Commission to earn a "reasonable rate of return" — essentially a profit — of at least 8 percent of its annual revenues. The other would prohibit municipal water providers

from charging rental fees for fire hydrants to cities and towns.

The fire hydrant bill would distribute new revenue ranging from an estimated \$943,276 for Providence to \$1,894 for North Kingstown.

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Page 2 of 2